



## Stabilize Your Income With Hydro One Ltd.

### Description

**Hydro One Ltd.** ([TSX:H](#)) is a terrific defensive stock that's perfect for income investors who want stability and a high yield. The company operates the largest electricity transmission and distribution utility in Ontario, where it has an extraordinarily wide moat.

Hydro One has a virtual monopoly; it controls approximately 96% of the province's transmission network. This means the company will pay a dividend through the harshest of economic downturns thanks to the extremely predictable cash flow streams.

### What makes Hydro One's dividend such a juggernaut?

Hydro One is a simple business with over 99% of its revenue regulated. This makes earnings and cash flow streams pretty much predictable with little room for surprises. This may seem incredibly boring, especially if you're an investor who lives for the thrill of market volatility and earnings surprise upsides, but if you're just someone who wants a stable dividend paid on a consistent basis, then Hydro One is probably the stock you've been longing for. The company's dividend payout is the closest thing to a guarantee that you'll get these days.

Monopolies have pretty much the widest moat you could ask for as an investor. How many times have you come across a business that has a moat as wide as Hydro One's? While the company controls about 96% of Ontario's transmission network, the management team is not done yet; they're looking to beef up an already impressive transmission network portfolio.

The management team has plans to spend about \$1.6 billion over the next five years to make improvements to its existing network as well as to finance acquisitions of smaller transmission companies operating in Ontario. I believe these acquisitions will give the company a boost to its predictable stream of cash flows and could allow for future dividend increases.

Following Hydro One's first-quarter earnings results, it announced that the quarterly dividend will be given a raise by 4.8%. I believe Hydro One is capable of increasing its dividend on a consistent basis over the next few years, but don't expect double-digit percentage increases like those from dividend-growth kings.

Although Hydro One has a nice moat, many consumers are upset by the expensive electricity prices, and further price hikes could face some resistance as more consumers voice their frustrations. Consumers have little alternative than to suck it up and to pay the prices for now, but will future price hikes be out of the question? Or is Hydro One all right with the backlash from angry consumers?

Hydro One has been hit hard over the last few months, so shares look pretty attractive given that the company has a very wide moat. I'd pick up shares if dividend stability is what you're after.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

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